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FISCAL IMPACT STATEMENT

LS 7601

BILL NUMBER: HB 1786

NOTE PREPARED: Jan 8, 2005

BILL AMENDED:

SUBJECT: Homestead credit.

FIRST AUTHOR: Rep. Aguilera

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: X GENERAL
X DEDICATED
FEDERAL

IMPACT: State & Local

Summary of Legislation: This bill requires a closing agent to provide a customer with the statement required to apply for a homestead credit. It requires the closing agent to assist the customer in preparing the statement for filing.

Effective Date: July 1, 2005.

Explanation of State Expenditures: The proposal could result in an increase in homestead credits paid by the state. The amount of the credit equals 20% multiplied by the individual's property tax liability after the Property Tax Replacement Credit is applied. The specific impact is indeterminable. Homestead credits are paid from the Property Tax Replacement Fund, which is annually supplemented by the state General Fund. Any changes of homestead credit expenditures would ultimately affect the state General Fund.

The state agency that has administrative jurisdiction over a closing agent must examine closing agents to determine compliance and to impose and collect penalties. This provision will increase administrative expenses for the agencies; however, the impact is not expected to be significant.

Explanation of State Revenues: A closing agent is subject to a civil penalty of \$25 for each instance in which the closing agent fails to comply with the requirement to provide information on homestead credits. The number of times a closing agent will fail to offer the required assistance and be penalized by the oversight agency is indeterminable. Penalties would be deposited into the Property Tax Replacement Fund.

Explanation of Local Expenditures: The credit must be filed with the county auditor. The bill could increase

administrative expenses incurred by county auditors. However, it is presumed that the auditors will be able to absorb any additional expense given current budgets and resources.

Explanation of Local Revenues: The local homestead credit is paid with County Option Income Tax (COIT) proceeds. The amount of COIT revenue available for distribution to local civil taxing units would be reduced by the amount spent for additional local homestead credits. As of 2004, 27 counties had a local option income tax with total distributions of \$402 M for 2005.

State Agencies Affected: Department of Financial Institutions, and any other state agencies involved in regulating an entity that provides financing or refinancing services.

State Agencies Affected: Taxing units in counties providing local homestead credits.

Information Sources:

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